



Management Control Process

What are management controls?



Rules, procedures and techniques managers use to make sure that what should occur in their daily activities, does occur.

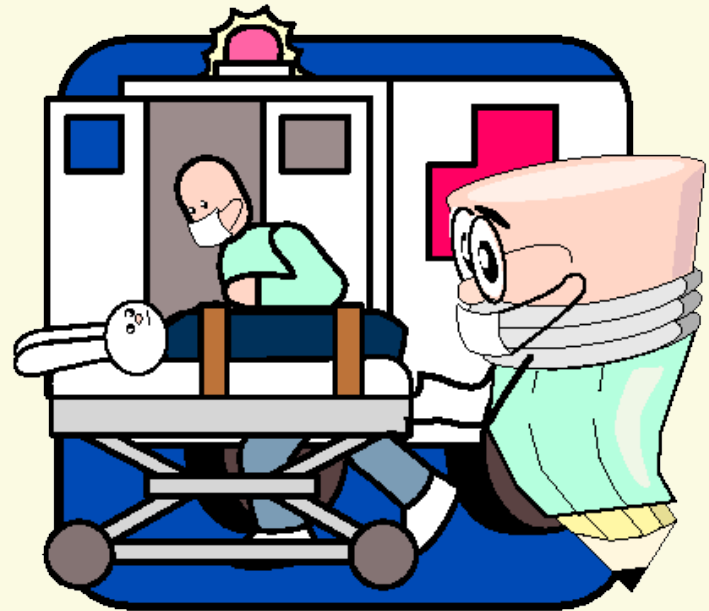
It's The Law



- ✓ Public Law 97-22
Federal Managers'
Financial Integrity
Act
- ✓ No system is
perfect.
- ✓ Not more control
but better control

What can happen without management controls?

- ✓ People can die.
- ✓ Accreditation is lost.
- ✓ Funding is lost.
- ✓ Property is stolen.
- ✓ Criminal activity occurs.



Management Control Process

- ✓ Two-part process:
 - Evaluate selected management controls.
 - Develop the Annual Statement of Assurance.

Management Control Hierarchy

**Department of
Defense
Secretary of the
Army**

Asst Secy of the Army for Financial Management

DA Proponents

**Reporting
Organizations
Senior Reporting Official**

**Management Control
Administrator
Assessable Unit
Manager**

Key Management Controls

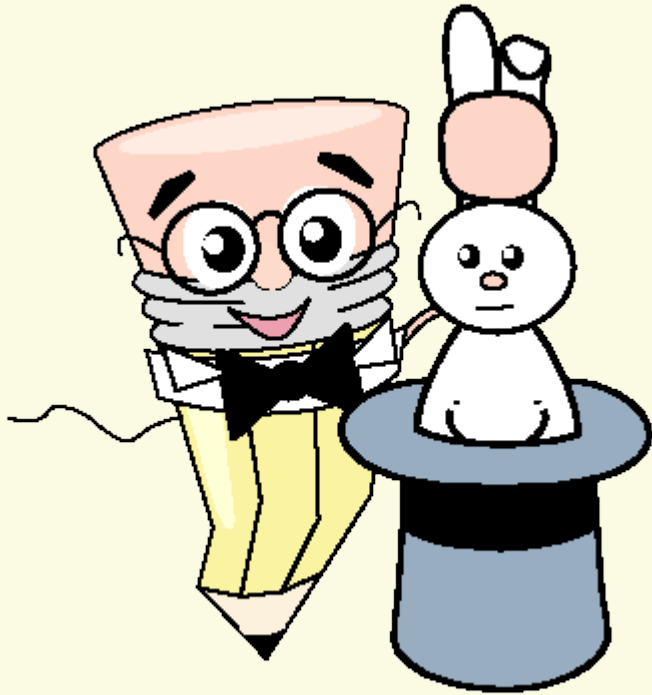


- ✓ A key control would “break” or weaken the system if not in place or nonexistent.
- ✓ HQDA Proponents identify the key management controls.
- ✓ They are identified in the governing AR and require formal evaluation.

Reasonable Assurance

- ✓ “Reasonable assurance” that controls are adequate and are operating as intended.
- ✓ There are acceptable levels of risk.

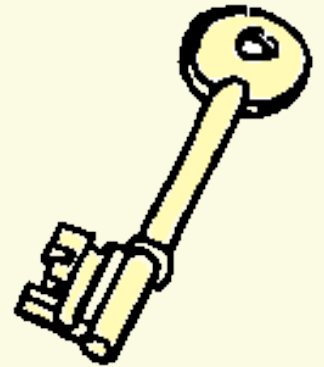
What is a Management Control Plan?



- ✓ Schedule of evaluations which the MCA prepares showing:
 - what to evaluate.
 - who evaluates it.
 - when to evaluate it.

Management Control Evaluations

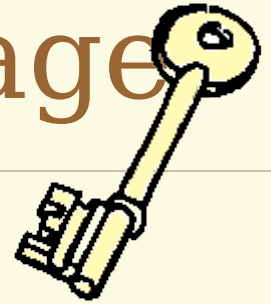
- ✓ Managers decide how they want to evaluate key controls.
- ✓ They can choose a checklist or use an existing review process.
- ✓ Documentation is required.



Conducting Effective Evaluations

- ✓ Choose method
- ✓ Decide what will be tested
- ✓ Test key management controls
- ✓ Document evaluation
- ✓ Certify

Assessable Unit Manager



- ✓ Certifies evaluation was conducted on a DA Form 11-2-R and indicates:
 - who conducted the evaluation and when.
 - what methods were used to test the controls.
 - what deficiencies were detected.
 - what corrective actions were taken.

What is a weakness?



It's a problem with management controls where they are not in place, not used or not adequate.

Weakness Detection Process



- ✓ Identify
- ✓ Report
- ✓ Correct
- ✓ Track

Identify the Weakness

- ✓ Weaknesses can be detected by:
 - Management Control Evaluations
 - Audit Reports
 - IG Inspections
 - Alternative Methods
 - Anybody at any level

Report



- ✓ Report to next higher headquarters in chain of command
- ✓ Determine materiality:
 - Involves a weakness in management controls
 - Warrants the attention of the next level of command for their action or awareness
- ✓ Report all material weaknesses as soon as identified

Correct

✓ Corrective Action Plan:

- Develop for all weaknesses, not just material weaknesses
- Correct the most significant components of the weaknesses ASAP
- Focus on primary actions that will fix the breakdown
- Identify immediate/interim actions to stop the problem

Track

- ✓ All corrective action plans will include milestones.
- ✓ The last milestone is the validation that corrective actions are complete.
- ✓ Track all weaknesses until verified as corrected.

Points to Consider

- ✓ Effective Material Weaknesses:
 - Be concise
 - Provide background/discussion
 - Provide condition, cause, and effect of the weakness
 - Describe the scope of impact
 - Describe why it warrants the attention of the next level of command (action/awareness)

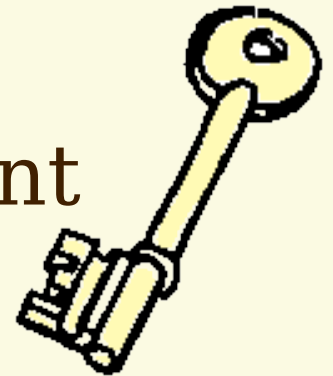
Milestones

✓ Milestones include:

- Corrective actions already taken
- Interim actions
- Corrective actions at your level and above
- Pinpointing responsibility for accomplishment
- Validation process
- Dates (Qtr/Yr)

Annual Statement of Assurance

- ✓ Acknowledges assigned responsibilities and reports on conditions of management controls
- ✓ Provides basis of assurance that management controls are in place and working as intended
- ✓ Serves as a feeder statement



Comptroller General Standards

- ✓ Defines minimum level of quality acceptable for management control systems.
- ✓ 5 GAO Standards

Internal Control

- ✓ A continuous built in component of operations
- ✓ Effected by people
- ✓ Provides reasonable assurance,
not absolute assurance.

Five Standards for Internal Control

- ✓ Control Environment
- ✓ Risk Assessment
- ✓ Control Activities
- ✓ Information and Communications
- ✓ Monitoring

Control Environment

Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.

Risk Assessment

Internal control should provide for an assessment of the risks the agency faces from both external and internal sources.

Control Activities

Internal control activities help ensure that management's directives are carried out. The control activities should be effective and efficient in accomplishing the agency's control objectives.

Examples of Control Activities

- ✓ Top level reviews of actual performance
- ✓ Reviews by management at the functional or activity level
- ✓ Management of human capital
- ✓ Controls over information processing
- ✓ Physical control over vulnerable assets
- ✓ Establishment and review of performance measures and indicators
- ✓ Segregation of duties
- ✓ Proper execution of transaction and events.
- ✓ Access restrictions to and accountability for resources and records
- ✓ Appropriate documentation of transactions and internal control

Information and Communications

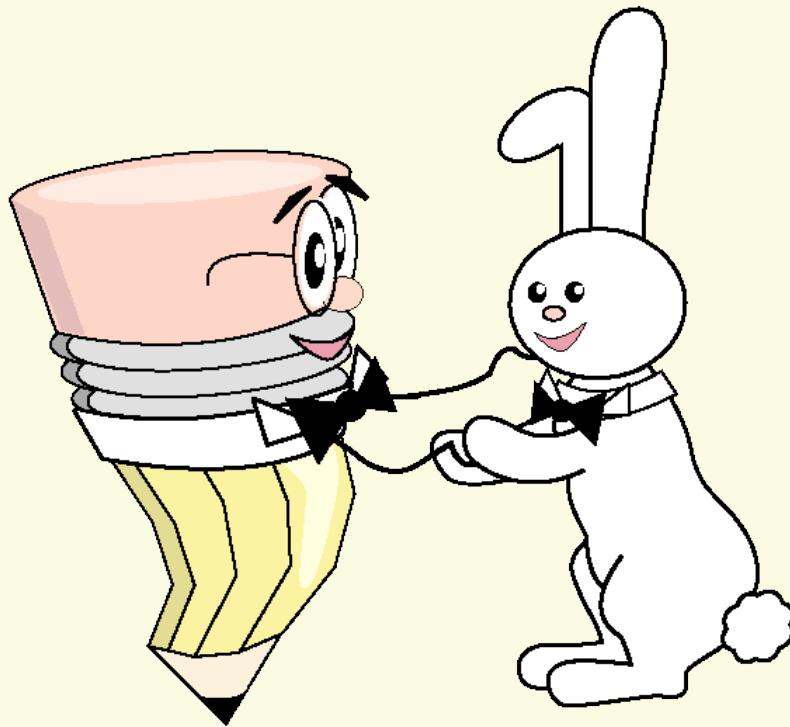
Information should be recorded and communicated to management and others within the entity who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities.

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Monitoring

Internal control monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved.

Performance Agreements



- ✓ OMB Circular A-123 requirement.
- ✓ All levels of management control program responsibilities.

Eleanor Hill, DOD IG

“...DOD can best mitigate that increased risk by paying careful attention to the need to improve, not eliminate, internal controls. One of the best ways to to so is to maintain a robust DOD audit and investigative effort.”

In Conclusion



- ✓ Local Internal Review Office
- ✓ Remember, when in doubt, check it out!

Point of Contact

- ✓ For information on the Management Control Program, please contact: